

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7190**

**BILL NUMBER:** HB 1320

**NOTE PREPARED:** Feb 12, 2004

**BILL AMENDED:** Feb 12, 2004

**SUBJECT:** Human Services.

**FIRST AUTHOR:** Rep. Hasler

**FIRST SPONSOR:** Sen. Miller

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures	116,000	377,000	465,000
Net Increase (Decrease)	(116,000)	(377,000)	(465,000)

LOCAL IMPACT	CY 2004	CY 2005	CY 2006
Local Revenues	1,700,000	2,100,000	2,600,000
Local Expenditures	1,700,000	2,100,000	2,600,000
Net Increase (Decrease)	0	0	0

**Summary of Legislation:** (Amended) *Community Mental Health Centers*: This bill provides that the maximum appropriation and tax levy for community mental health centers must be annually recalculated based on the increase in the assessed value growth quotient. The bill separates the laws concerning financing community mental health centers from the laws concerning financing community mental retardation and other developmental disabilities centers.

*Study of Continuous Eligibility*: This bill requires the Select Joint Commission on Medicaid oversight to study certain effects resulting from the repeal of continuous eligibility under the Indiana Medicaid program and the

Children's Health Insurance Program. The bill also repeals an obsolete provision.

**Effective Date:** (Amended) December 12, 2003 (Retroactive); January 1, 2004 (Retroactive); July 1, 2004.

**Explanation of State Expenditures:** (Revised) *Community Mental Health Centers:* The increased levies discussed below in Local Revenues would result in additional state expenditures for PTRC and homestead credit estimated at \$116,000 in FY 2004 (partial year), \$377,000 in FY 2005, and \$465,000 in FY 2006. PTRC and homestead credits are paid from the Property Tax Replacement Fund (PTRF) which is annually supplemented by the state General Fund. A change in expenditures from the PTRF will ultimately affect the General Fund.

*Study of Continuous Eligibility:* This bill would require the Select Joint Commission on Medicaid Oversight to study, during the 2004 interim, costs and issues concerning elimination of continuous eligibility for children eligible for Medicaid or the Children's Health Insurance Program (CHIP). The 12-member Commission is comprised of six members of the Senate and six members of the House of Representatives. The Commission operates under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees ranging from \$6,000 to \$9,000 per interim for committees with fewer than 16 members. This provision may be accomplished within the resources made available to legislative study committees by the Legislative Council.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) *Community Mental Health Centers:* Under this bill, mandatory county appropriations (and local property tax levies) would rise by an estimated \$1.7 M in CY 2004, \$2.1 M in CY 2005, and \$2.6 M in CY 2006.

Under current law, counties must make an appropriation to fund community mental health centers from the county general fund. The appropriation may not exceed the amount that would be generated in the county by a tax rate of \$0.0133, as adjusted for reassessment, per \$100 of assessed value (AV). The reassessment adjustment was added by SEA 1 - 2004 and first affects appropriations in CY 2004. Except in Marion County, appropriations increased in CY 2003 as a result of the new reassessed values. In CY 2004, these appropriations will be reduced to their 2002 appropriation level plus natural AV growth (estimated at 3.3% per year beginning in CY 2005).

Under current law, business personal property AV will be reduced from 2003 to 2004. This reduction is due to the expansion of the interstate commerce exemption for inventory and the return of the personal property depreciation schedules to their original rates. The reduced personal property AV along with natural AV growth will produce a statewide total 2004 appropriation that is approximately the same as the 2002 appropriation. After 2004, the appropriation will grow at an estimated average rate of 3.3% per year under current law.

Under this proposal, each county's mandatory 2004 community mental health center appropriation would be equal to the amount levied by the county in 2002 to fund the CMHC appropriation plus growth for 2003 and 2004 at the rate of the county assessed value growth quotient (AVGQ). Beginning in 2005, each year's appropriation would equal the amount levied by the county in the previous year to fund the CMHC appropriation plus the AVGQ. The AVGQ is equal to the six-year average annual increase in Indiana nonfarm personal income. The AVGQ was 4.8% in CY 2003 and 4.7% in CY 2004. Each county would have the same

growth rate.

Under current law, 2004 CMHC mandatory appropriations would, more or less, be equal to 2002 appropriations but under the amendment, the 2004 appropriation would be about 9.7% larger than the 2002 appropriation. Beginning in CY 2005, appropriations would grow at about 4.7% per year instead of 3.3%. This analysis assumes that AV will continue to grow by about 3.3% and that AVGQ will remain at about 4.7%.

The appropriation caps for all supplemental appropriations would also grow at the same rate as the mandatory appropriations. Unlike the mandatory appropriations, the supplemental appropriations must be paid out of existing county resources and are totally optional at the discretion of the county.

**State Agencies Affected:** Legislative Services Agency.

**Local Agencies Affected:** Community Mental Health Centers.

**Information Sources:** Local Government Database.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.